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Hiring Quality Workers Poses Stiff Challenge

At fast-growing Paylocity in Elk Grove Village, recruiting manager Angela Goodwin is eager to fill 23 positions. But she won't sacrifice a thorough screening to get the jobs filled faster.

That's partly because the payroll-processing business learned the hard way what can happen when a business doesn't hire well. Paylocity had a turnover problem in 2004, when it let individual managers find new workers, though the managers hadn't been trained in hiring, said founder and President Steve Sarowitz.

"We had 15 to 20 bad hires over the course of a couple of years," he said.

Rapid growth is a goal of many small businesses, but with it comes the challenge of keeping up with demand. Paylocity, which twice has been named to Inc. magazine's list of the 500 fastest-growing small businesses, has 130 employees, up from three in 1997, when Sarowitz started the company. And it plans to add 30 workers this year, if it can find suitable candidates, Sarowitz said.

"It's a challenge for us as a company. We're picky. We're not the type to say, 'Send me 10 people and we'll hire them,' "he said.

Working in its favor is the fact that Paylocity gives generous benefits, ranging from comprehensive medical coverage and a 401(k) plan to paid life insurance, a casual dress code and holiday bonuses.

"Even with all that, it's still hard to find people," Sarowitz said.

The company is considering allowing more people to work flexible schedules or from home to attract highly qualified candidates, he said.

More small businesses may be in similar straits as competition for highly qualified workers intensifies, said Michael Alter, president of SurePayroll, a Skokie provider of payroll outsourcing services for 15,000 small businesses nationwide.

Recent data suggests 2007 will be a year of job creation, after two years of flat growth for small businesses, said Alter, noting a pickup in hiring in December. Overall, small-business hiring in 2006 fell by 0.2 percent nationwide and dropped 1.1 percent in Illinois, according to SurePayroll's Small Business Scorecard, which is based on payroll data from its clients.

But use of independent contractors climbed 4.7 percent in 2006, to 3.41 contractors for every 100 workers engaged by small business, Alter said.

"First, they hire contractors. Then, when they are sure there are orders and demand, they hire permanent workers," he said. "I'm optimistic about '07 for small business. We're seeing some stability in the costs that have been escalating for small-business owners."

But labor costs likely will rise. Salaries for small-business workers climbed 7.4 percent nationwide in 2006, to an average of \$31,292, though the increase for Illinois was lower, at 2.6 percent, Alter said.

The gains are making up for lost ground. When wage declines from 2004 and 2005 are factored in, 2006 wages have increased just 2 percent nationally since 2004, he said.

"There were too many workers for too many jobs," Alter said. "We've seen that turn around."

Still, wages are rarely the sole reason people consider a new job, said Cathleen Faerber, managing director at Wellesley Group Inc., an executive search firm in Buffalo Grove. Often, people are looking for opportunity for advancement, a better work environment or more flexibility, she said.

So far, Paylocity has resisted luring candidates with big pay increases.

"We want to get them in the door as reasonably as possible and then give them raises as they perform," Sarowitz said.

Goodwin has worked to boost the company's visibility through various job-search Web sites and a public relations effort. She also added a career site to the company's Web page to help job candidates learn more about the company.

"I was looking at cost-efficient ways of getting our name out there so candidates would be interested in working for us," she said.

As a result, more than 4,000 candidates applied to the company last year for about 50 positions, Goodwin said.

A little name recognition can go a long way in the recruiting process, said Mark Mandel, a registered pharmacist and co-owner with Nick Flocco of Mark Drugs Roselle, a compounding and retail pharmacy.

Mandel's two Saturday morning radio shows, "The Doctor & the Pharmacist" and "The Dr. Mayer Eisenstein Show," not only have lured customers but also have helped to attract qualified job applicants, he said.

The 20-year-old company, which employs 26, rarely advertises for openings. Most applicants solicit the company on their own, Mandel said.

"When we see someone who is really good, even if they're not right for the position we're hiring for, we'll try to find some way to get them into the organization for their skills," said Mandel. He said the business has grown every year since it opened, and sales climbed 15 percent in the last quarter.

The company added two part-time clean-room technicians this month for its compounding laboratories and hired a marketing person last fall.

"I look for people who are upbeat and work well with others," Mandel said. "That's really important to me."

Mandel offers competitive wages, plus extra benefits like tuition reimbursement, including up to \$10,000 a year for pharmacy school. He also allows for flexible schedules, often hiring part-time workers. That has made it easier to find pharmacists and pharmacy technicians, who typically are in short supply, he said.

At Paylocity, Sarowitz used to do the hiring himself, and most of his early hires worked out, he said. But as the company grew, and he turned the process over to managers, problems began.

Paylocity's recruiting process has changed significantly since Goodwin was hired 18 months ago to add consistency and efficiency to the process. She starts by screening resumes for minimum qualifications, then conducts phone interviews to determine relevant experience, check for accuracy and fill in missing information.

Next, candidates for technical positions take a skills test. If it goes well, they interview with the hiring manager. A second interview with the next-level manager follows. Then the company conducts a thorough background and reference check.

Interviews by managers also have improved since Goodwin developed workshops and worked with them on "how to sell the company," she said.

"Spending more time on that interviewing process has really helped us because our turnover has been reduced by half what it was two years ago," she said. "It's made a huge difference."